

State of California

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Legislative Change No.

98-17

Bill Number: AB 2812

Author: Higher Ed. Comm.

Chapter Number: 98-954

Laws Affecting Franchise Tax Board:

Date Filed with the Secretary of the State: September 29, 1998

SUBJECT: 1998 Higher Education Omnibus Act/Scholarshare Clean-up

Assembly Bill 2812 (Assembly Committee on Higher Education), as enacted on September 29, 1998, made the following changes to California law:

Section 69980 of the Education Code is amended.

For definitions that are contained both within state and federal law, this act replaces the state definition with a reference to the federal definition. Because the Revenue and Taxation Code Scholarshare income exclusion provisions reference those definitions in the Education Code, the change ensures equivalent tax treatment under both federal and state law.

Section 69982 of the Education Code is amended.

This act eliminates the Scholarshare maximum annual contribution limitation provision.

Section 69986 of the Education Code is amended.

This act: (1) provides that, in addition to interest, no contributions made to a Scholarshare account may be pledged as collateral for any loan, (2) includes a provision regarding a more than de minimis penalty in the event of cancellation, (3) provides that, for the balance of a participant's account to be paid to the participant once the beneficiary graduates, the beneficiary must have no intention of further attendance.

Section 24306 of the Revenue and Taxation Code is amended.

This act includes state or local government agencies in the types of entities from which a contribution to a Scholarshare account must be included in the owner's or employee's gross income in the year the contribution is made. NOTE: The author's staff has indicated that corresponding changes to the Personal Income Tax Law inadvertently were left out of the act and will be placed in clean-up legislation next year. This act also technically corrects a code section reference.

This act is effective September 29, 1998.

This act will not require any reports by the department to the Legislature.

Bureau Director

Johnnie Lou Rosas

Date

10/9/98